

## **INFORMATION ON NEGOTIABLE SECURITIES OF THE UNITED STATES**

General information on pledging U.S. Treasury securities as collateral to the U.S. Government is found in U.S. Treasury Circular 154, which was incorporated into the Code of Federal Regulations at 31 CFR 225 (Acceptance of Bonds, Notes, or Other Obligations Issued or Guaranteed by the United States as Security in Lieu of Surety or Sureties on Penal Bonds). A booklet of general information about Marketable Treasury Securities (Bills, Notes, and Bonds) Sold at Original Issue is available from the BLM Nevada State Office.

The following information is provided to assist the operator, claimant, principal, or obligor (hereafter referred to as the "entity") in obtaining a U.S. Treasury bill, bond, or note to be pledged to BLM for bonding purposes. The Treasury security must be in book-entry (electronic) form. Any security in definitive (certificate) form must be converted to book-entry form. Treasury securities pledged to BLM are held in a Circular 154 account through a commercial bank. In most Federal Reserve Bank (FRB) districts this is the number 11 securities account. Securities are moved between various accounts and financial institutions through electronic transfers involving the Federal Reserve Banks or Branches. A security cannot be transferred to or from a Circular 154 account by the entity's commercial bank without authorization being granted to the FRB by the BLM through the Negotiable Securities Custodian located in the BLM National Business Center, Accounting Operations Division (Denver, Colorado).

The following steps should be followed when obtaining a Treasury bond or note as a pledge for a surface management bond in accordance with the regulations at 43 CFR 3809:

1. The entity contacts a financial institution to purchase a Treasury security in the name of the entity providing the bond coverage. If the financial institution is unable or unwilling to set up a Circular 154 account, the security must be transferred to a commercial bank (the correspondent bank) able and willing to set up a Circular 154 account on behalf of the entity. Many financial institutions such as investment firms and smaller banks use a correspondent bank for handling their securities. Before a commercial bank can set up a Circular 154 account, certain paperwork must be completed by the commercial bank and sent to the FRB. The Negotiable Securities Custodian may be contacted at the number listed below for information on banks currently using Circular 154 accounts.
2. The entity provides written authorization to the commercial bank to transfer the security to the Circular 154 account.
3. The entity or entity's bank confirms the purchase of the Treasury security by submitting the following information to the BLM office:
  - A. The entity's name and mailing address.
  - B. The BLM serial number of the plan of operations or notice for which the security is being pledged or a statement that the security is being pledged for a statewide or nationwide bond. If the security is being pledged for a statewide or nationwide bond, identify the state(s) it covers.
  - C. The type of Treasury security purchased (bill, bond, or note).
  - D. The par amount of the security.
  - E. The stated interest rate (NOT the imputed interest rate) of the bond or note. There is no stated interest rate on Treasury bills.
  - F. The maturity date of the security.
  - G. The Committee on Uniform Securities Identification Procedures (CUSIP) number of the security.
  - H. Name and mailing address of the depository financial institution (bank).
  - I. The bank's nine-digit American Banking Association (ABA) number.
  - J. The name of a contact person at the entity's bank.
  - K. The telephone and telefax number (including area code) of contact person.
  - L. The name of the FRB or FRB Branch servicing the commercial bank.
  - M. If the entity's financial institution uses a correspondent bank, the information requested in Items "H" through "L" must also be provided for the correspondent bank.
4. The BLM office will forward this information to the Negotiable Securities Custodian, National Business Center, Accounting Operations Division in writing, usually by telefax. For securities pledged for a

statewide or nationwide bond, the BLM office will provide the Negotiable Securities Custodian with the BLM assigned bond number.

5. The Negotiable Securities Custodian will contact the appropriate FRB and the entity's bank or correspondent bank to authorize the transfer of the security to the Circular 154 account. When the bank transfers the security to the Circular 154 account, the bank must include the following information in the electronic transfer message: "Security pledged to DOI- Bureau of Land Management [name of office] by [name of entity] for [plan of operations or notice case file number; statewide/nationwide bond]." The following is an example of an acceptable transfer message: "Security pledged to DOI-Bureau of Land Management, Nevada State Office by Zephyr Cove Corporation for Plan of Operations N00-00-0000P." **THE BANK SHOULD NOT ATTEMPT TO TRANSFER THE SECURITY TO THE CIRCULAR 154 ACCOUNT PRIOR TO CONTACT FROM THE NEGOTIABLE SECURITIES CUSTODIAN. MOST FEDERAL RESERVE BANKS AND BRANCHES WILL NOT ALLOW A TRANSFER OF A SECURITY TO THE CIRCULAR 154 ACCOUNT PRIOR TO RECEIVING THE AUTHORIZATION FOR THE TRANSFER FROM THE NEGOTIABLE SECURITIES CUSTODIAN.**

Once the security is transferred to the Circular 154 account, the FRB will send the Negotiable Securities Custodian a confirmation of the transfer, usually in the form of an "Acknowledgment of Book Entry Deposit, Release of Account Transfer" and/or "Statement of Pledged Activity." A copy of confirmation will be sent to the BLM office to document the transfer. A copy of confirmation is also sent by the FRB to the entity's bank.

6. The entity should send the following to the BLM office as soon as possible:
  - A. All required BLM bond forms properly completed.
  - B. A transaction document from the entity's financial institution to verify the amount the entity paid for the security.

THE AMOUNT PAID FOR THE SECURITY, EXCLUDING ANY SERVICE FEES AND ACCRUED INTEREST, MUST EQUAL OR EXCEED THE REQUIRED BONDING AMOUNT. ATTENTION MUST BE GIVEN TO TREASURY BILLS SINCE THEY ARE SOLD AT A DISCOUNT (LESS THAN THE PAR AMOUNT). THE PAR AMOUNT ON TREASURY BILLS MUST ALWAYS BE GREATER THAN THE REQUIRED BOND AMOUNT.

7. The BLM office will notify the entity by written decision that the personal bond has been accepted, the BLM Bond Number assigned to the bond, and the date bond coverage is effective. A copy of the bond acceptance decision is sent to the Negotiable Securities Custodian.

The following is additional information concerning Treasury securities, which should be considered when deciding to use Treasury securities for bonding purposes:

1. A fee is charged by the FRB for transferring securities between financial institutions and/or accounts. The fee may be passed on to the entity by the financial institution. To reduce the cost from fees, it would be advisable to purchase a security with a maturity date approximately equal to the expected required bonding period, although this will need to be weighed against the possibility of rising interest rates on Treasury securities.
2. Semi-annual interest payments on Treasury bonds and notes are made by electronic transfer from the FRB to the entity's bank, which will transfer the interest to the entity in accordance with the agreement between the bank and entity (e.g., deposit the interest to a checking or savings account, etc.). The entity's bank will send a 1099-INT form to the entity in January for interest paid the previous calendar year. A copy of the 1099-INT is sent to the Internal Revenue Service.

3. If a security is no longer required prior to the maturity date, the BLM office will notify the National Business Center (NBC) by memorandum. The NBC will contact the FRB and the entity's bank to transfer the security from the Circular 154 account. The entity will need to inform the bank to retain the security in an investment account, be sold in the secondary (commercial) market, etc.
4. If continued bond coverage is required after the maturity date, the BLM office will, in turn, notify the entity by letter that the security is maturing and that continued bond coverage is required. A copy of the letter is sent to the Negotiable Securities Manager. Depending on the FRB involved, the cash proceeds from the matured security will be held either by the FRB in their Circular 154 suspense account, or, approximately two weeks after the maturity date, be transferred to BLM by the FRB, which will be deposited to the BLM office's suspense account. Should the cash proceeds not be required for bonding purposes, the BLM office will send a memorandum to the Negotiable Securities Manager requesting the release of the cash proceeds from the FRB to the entity's bank, which will give the cash proceeds to the entity; or have a Treasury check issued to refund the cash proceeds to the entity. If the cash proceeds are required for bonding purposes, the cash proceeds will be retained either by the FRB or BLM until replacement coverage is provided. The entity must understand the following concerning a matured security:
  - A. The security converts to cash and stops earning interest on the maturity date.**
  - B. The cash proceeds are not automatically reinvested into a new security.**
  - C. The cash proceeds or the security prior to maturity will not be released to be reinvested into a new security.**
  - D. The cash proceeds or security, prior to maturity, will not be released until a replacement bond instrument has been accepted.**

To ensure the timely release of the cash proceeds from the matured security, the entity should provide replacement coverage as early as possible, preferably at least two weeks before the original security matures.

5. If the entity is in default with the terms and conditions of the plan of operations or notice for which bonding was required; and collection under the bond is necessary, the BLM office will send the Negotiable Securities Custodian a memorandum concerning the situation. If the security has matured or is about to mature, the cash proceeds will be transferred to BLM from the FRB or the entity's bank. No interest is earned from the proceeds kept in the BLM office's suspense account.

If the entity's bank has any questions concerning the information provided, a bank representative may contact the servicing FRB. Any questions regarding BLM's procedures may be directed to the BLM National Business Center, Accounting Operations Division and can be contacted at telephone number (303) 236-6332. The current Negotiable Securities Manager is Dorothy Butler. The mailing address is as follows:

Bureau of Land Management  
National Business Center (NBC-621)  
P.O. Box 25047  
Denver, CO 80225-0047

For information regarding BLM bond requirements in general, the entity may contact Cynthia S. Dragon, State Bond Coordinator, Nevada State Office, at telephone number 775-861-6458. The mailing address is as follows:

Bureau of Land Management  
Nevada State Office  
Attn: Cynthia S. Dragon

P.O. Box 12000  
1340 Financial Blvd.  
Reno, NV 89520-0006